

City of Redding

Redding, California

Single Audit Reports

For the year ended June 30, 2009

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3/10/2010

C&L
Caporicci & Larson
Certified Public Accountants

City of Redding
Single Audit Reports

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Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of City Council
of the City of Redding
Redding, California

We have audited the financial statements of The City of Redding (the City) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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To the Honorable Mayor and Members of City Council
of the City of Redding
Redding, California
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including, but not limited to, the requirements governing the Transportation Development Act funds as prescribed in Sections 6666 and 6667 of the *Rules and Regulations of the California Administrative Code in the Transportation Development Act Statutes and Administrative Code for 1987 (Act)* and Guidelines for Compliance Audits of California Redevelopment Agencies, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Capricci & Carlson

Oakland, California
December 9, 2009



Caporicci & Larson
Certified Public Accountants

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and Members of City Council
of the City of Redding
Redding, California

Compliance

We have audited the compliance of the City of Redding (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Audit Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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To the Honorable Mayor and Members of City Council
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Redding, California
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A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the City as of and for the year ended June 30, 2009, and have issued our report thereon dated December 9, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as whole.

This report is intended solely for the information and use of management, the City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Capricci & Carson

Oakland, California
December 9, 2009

City of Redding
Single Audit Reports
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2009

Program Name	Grantor/ Pass-Through Entity Grant Number	Catalog of Federal Domestic Assistance Number	Program Expenditures
Federal Awards			
U.S. Department of Housing and Urban Development:			
Direct programs:			
Community Development Block Grant	B08-MC-06-0033	14.218	\$ 1,007,244
Home Investment Partnership Act	M08-MC060238	14.239	1,537,857
Stillwater Industrial Park HUD-EDI	B-04-SP-CA-0097	14.246	223,673
Stillwater Industrial Park HUD-EDI	B-05-SP-CA-0376	14.246	198,400
Stillwater Industrial Park HUD-EDI	B-06-SP-CA-0134	14.246	247,500
Stillwater Industrial Park HUD-EDI	B-06-SP-CA-0148	14.246	198,000
Section 8 - Rental Voucher Program	CA106 VO00118125	14.871*	8,444,880
Total U.S. Department of Housing and Urban Development			11,857,554
U.S. Department of Justice:			
US DOJ Methamphetamine Initiative	2007-CKWX-0240	16.580	186,518
Ed Byrne Memorial (JAG) Tech Personnel	Office of Justice	16.592	16,697
Bulletproof Vests	Office of Justice	16.607	2,955
US DOJ Edwards Byrne Memorial (JAG)	2007-F4966-CA-DJ	16.738	51,753
Total U.S. Department of Justice			257,923
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program	3-06-0194-25	20.106	6,008
Airport Improvement Program	SD 1542-02-01: TSA	20.106	217,478
Airport Improvement Program	03-06-0308-08	20.106	38,698
Airport Improvement Program	03-06-0194-30	20.106	5,218
Airport Improvement Program	03-06-0194-31	20.106	692,045
Airport Improvement Program	03-06-0194-33	20.106	161,060
Airport Improvement Program	03-06-0194-34	20.106	16,545
Airport Improvement Program	03-06-0194-35	20.106	107,309
Airport Improvement Program - ARRA	03-06-0194-36	20.106	40,626
Airport Improvement Program	03-06-0308-10	20.106	157,975
Total Federal Aviation Administration			1,442,962
Sub Total Federal Expenditures			13,558,439

*Denotes as Major Program

See Notes to Schedule of Expenditures of Federal Awards.

City of Redding
Single Audit Reports
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2009

Program Name	Grantor/ Pass-Through Entity Grant Number	Catalog of Federal Domestic Assistance Number	Program Expenditures
<u>Federal Awards, Continued</u>			
<u>Total Federal Expenditures from previous page</u>			<u>\$ 13,558,439</u>
U.S. Department of Transportation (continued):			
Passed Through CalTrans:			
Highway Planning and Construction	BRLS-5068 (008)	20.205	5,324
Highway Planning and Construction	FHWA	20.205	1,168,744
Highway Planning and Construction	HBRR	20.205*	19,590,398
Total Amount Passed Through CalTrans			<u>20,764,466</u>
Passed Through Shasta County Regional Transportation:			
Federal Transit Metropolitan Planning Grants	74A0142	20.505	58,698
Total Amount Passed Through Shasta County Regional Transportation			<u>58,698</u>
Direct Programs:			
Federal Transit Operating Assistance	CA-90-Y235	20.507	15,146
Federal Transit Operating Assistance	CA-90-Y284	20.507	3,412
Federal Transit Operating Assistance	CA-90-Y364	20.507	976,923
Federal Transit Operating Assistance	CA-90-Y427	20.507	29,023
Federal Transit Operating Assistance	CA-90-Y558	20.507	25,513
Federal Transit Operating Assistance	CA-90-Y693	20.507	250,089
Federal Transit Operating Assistance	Operating	20.507	750,000
Total Federal Transit Operating Assistance			<u>2,050,106</u>
Total U.S. Department of Transportation			<u>24,316,232</u>
Passed Through California Office of Traffic Safety			
Highway Planning and Construction	OTS	20.600	55,693
Highway Planning and Construction	OTS	20.600	13,022
Total Amount Passed Through California Office of Traffic Safety			<u>68,715</u>
U.S. Department of Environmental Protection Agency:			
Direct Programs:			
Stillwater Wastewater Infrastructure	EPA	66.606*	1,626,698
Total Environmental Protection Agency			<u>1,626,698</u>
Total Federal Expenditures			<u>\$ 38,127,122</u>

* Denotes as Major Program.

See Notes to Schedule of Expenditures of Federal Awards.

City of Redding
Single Audit Reports
Notes to Schedule of Expenditures of Federal Awards
For the year ended June 30, 2009

1. REPORTING ENTITY

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Codification, consists of the primary government, the City of Redding (City), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City Council acts as the governing body and is able to impose its will on the following organizations, establishing financial accountability:

- The Redding Redevelopment Agency
- Redding Housing Authority
- Redding Joint Powers Financing Authority
- Redding Capital Service Corporation
- Redding Area Bus Authority

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Funds received under the various grant programs have been recorded within the general, special revenue, capital projects and enterprise funds of the City. The City utilizes the modified accrual basis of accounting for the general, special revenue, and capital project funds and the accrual basis of accounting for the enterprise funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared according to each fund's required basis of accounting.

Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all Federal financial assistance programs of the City. Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through the State of California and Shasta County are included in the Schedule. The Schedule of Expenditures of Federal Awards was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

City of Redding
Single Audit Reports
Schedule of Findings and Questioned Costs
For the year ended June 30, 2009

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the City of Redding (City).
2. No significant deficiencies relating to the audit of the financial statements are reported in the basic financial statements.
3. No instances of noncompliance material to the basic financial statements of the City were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the basic financial statements.
5. The auditors' report on compliance for the major federal award programs for the City expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the City are reported in Part C of this Schedule below.
7. The programs tested as major programs include:

Major Program	Expenditures
Section 8 Rental Voucher Program	\$ 8,444,880
Highway Planning and Construction-HBRR	19,590,398
Stillwater Wastewater Infrastructure-EPA	1,626,698
Total Major Program Expenditures	\$ 29,661,976
Total Federal Award Expenditures	\$ 38,127,122
Percent of Total Federal Award Expenditures	78%

8. The threshold for distinguishing Types A and B programs was \$1,143,814.
9. The City was determined to be a low risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

No financial statement findings were noted.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

No findings or questioned costs were noted on the City's major programs.

D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

No findings or questioned costs were noted on the City's major programs.